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FIELD DELEGATE CONFERENCE
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION



PRICE REASONABLENESS

OVERSIGHT & COMPLIANCE BRANCH

Presented by:

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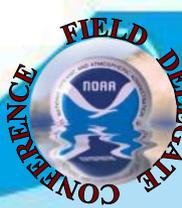
Kansas City, MO

*Awarding Stronger Acquisition In
Changing Times*



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OBJECTIVE

- To better understand
 - the importance of conducting a thorough, defensible analysis of a proposed price, as you seek to determine a fair and reasonable price; and
 - the basis for determining what a fair and reasonable price may be.



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WHAT IS FAIR AND REASONABLE?

- The FAR does not define the terms “fair and reasonable price.”
- The text book definition reads:

“A reasonable price is the price that a prudent and competent buyer would be willing to pay given available knowledge of the market conditions.”
- A determination of whether a quote is fair and reasonable involves judgment and various factors including market conditions; general economic conditions; supply and demand; etc.



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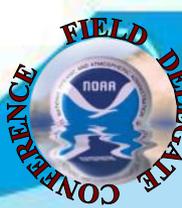


- When buying for the Government, your primary pricing objective for all contract actions is to acquire supplies and services from responsible sources at fair and reasonable prices.
- This is the same objective you would be seeking if you are spending your own money to buy a car, hire a roofer, shop for groceries or clothes. You compare prices.



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- You expect to receive a good product and good service at a reasonable price in your personal dealings and should expect no less when buying for the Government.
- You have the ultimate fiduciary responsibility on ensuring reasonableness of the proposed price.



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- As Contracting Officer's you are entrusted to ensure the integrity of the procurement process and to make good business judgments.
- You are a steward of the taxpayer's dollars.



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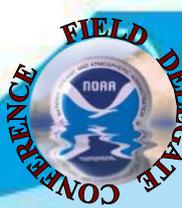
MICRO-PURCHASE

- FAR 13.202 and APG 3.0
- Actions at or below \$3,000 for supplies; less than \$2,500 for services; and less than \$2,000 for construction.
- Micro-purchases may be awarded without soliciting competitive quotes if the CO or authorized individual considers the price to be fair and reasonable.



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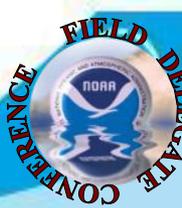
MICRO-PURCHASE (continued)

- A decision on price reasonableness should be based on information such as:
 - Previous prices paid for the same or similar items purchased competitively; or
 - Knowledge of the supply or service gained from published prices in catalogs, newspapers and other sources of market information
- Take more aggressive action to collect information necessary to determine price reasonableness
 - if you suspect or have information to indicate that the price may not be reasonable; or
 - when there is no comparable pricing information readily available.



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MICRO-PURCHASE (continued)

- Documentation should be kept to a minimum for micro-purchases
- If competitive quotes are solicited and award is made to other than the low quote, documentation is required to support the purchase but may be limited to identification of the solicited firms and an explanation for the award decision.



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SIMPLIFIED ACQUISITIONS

- FAR 13.106-3 and APG 7.1
- For actions greater than \$3,000, the CO must determine that the quote provides a price that is fair and reasonable.
- The CO must provide adequate documentation to support the determination.



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SIMPLIFIED ACQUISITIONS (continued)

- Techniques Used to Determine Price Reasonableness
 - Preferred - Competitive Quotes (FAR 13.104(b))
 - Comparison with previous price paid on a **competitive acquisition**
 - Comparison with previous price paid that was determined fair and reasonable
 - Current pricelists, catalogs, advertisements for like or similar items
 - Knowledge to the item being purchased and the market
 - Comparison with an independent Government estimate
 - Comparison with inflation rates posted by the Bureau of Labor Statistics.
 - For services with quoted hourly rates, compare hourly rates and labor mix with the hourly rates on the GS pay scale



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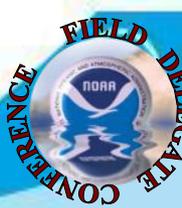
SIMPLIFIED ACQUISITIONS (continued)

- Caution – Current price lists, catalogs, or ads do not always establish fair and reasonable pricing. Further discounts may be available or other factors may affect comparability such as:
 - Quantity or size
 - Market conditions
 - Geographic locations
 - Delivery lead-time
 - Technology
 - Extent of competition in general



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GSA FEDERAL SUPPLY SCHEDULE

- GSA has determined the schedule prices of supplies, fixed-price services, and hourly rates for services are fair and reasonable.
- For Service Orders with a fixed labor hour rates you must consider the level of effort and labor mix and document the file.



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GSA FEDERAL SUPPLY SCHEDULE (continued)

- Example:
3 Scientists x 180 hrs @ \$50/hr = \$9,000
4 Program Mgrs X 120 hrs @\$75/hr = \$9,000
Total Price = \$18,000
- Questions to ask yourself:
 - Is the labor mix (Scientists and Program Managers) right for the Task?
 - Are the number of hours reasonable for the effort needed to complete the task?
 - Do I need technical assistance in answering the questions?
 - Document the file.



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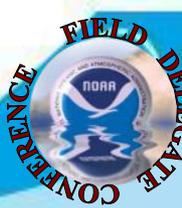
GSA FEDERAL SUPPLY SCHEDULE (continued)

- GSA encourages ordering activities to seek pricing discounts or concessions from Schedule contractors.
- Price reductions allow the agency to take advantage of flexible and dynamic pricing in the commercial marketplace.



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CONCLUSION

- When choosing price analysis techniques, more than one method may be chosen
- Be careful when performing comparisons that all the data you are referring to is comparable
 - Same or similar requirement
 - Market conditions
 - Escalation/Inflation
 - Quantity



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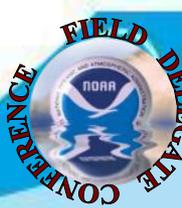
- Don't be afraid to ask a vendor to substantiate a quote.

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DOCUMENT



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REMEMBER

You, as a Contracting Officer, are relied upon to be a good steward of the taxpayers' dollars.

You have a fiduciary responsibility on behalf of the Federal Government to make smart contracting decisions in the best interest of the Government and its people.